

Before the  
FEDERAL COMMUNICATION COMMISSION  
Washington, D.C. 20554

ORIGINAL  
FILE

In the Matter of  
Amendment of the Commission's  
Rules to Establish New Personal  
Communications Services

CC Docket No. 90-314  
ET Docket No. 92-100

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REPLY COMMENTS OF  
ANCHORAGE TELEPHONE UTILITY

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In its initial comments in this proceeding, Anchorage Telephone Utility ("ATU") urged the Commission to provide full eligibility to local exchange carriers ("LECs") and cellular licensees for Personal Communications Service ("PCS") licenses. Many other parties supported this approach as maximizing benefits to the public.<sup>1</sup>

Perhaps even more significantly, on November 9, 1992 the Commission released an objective, comprehensive and thorough economic analysis by its staff on PCS cost structure. David P. Reed, Office of Plans and Policy, "Putting It All Together: The Cost Structure of Personal Communications Services," OPP Working Paper No. 28, November 1992. The study concludes, among other things, that "the economies of scope found between PCS and both telephone and cellular services show that consumers would benefit

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<sup>1</sup> E.g., Comments of Ameritech, Bell Atlantic PC, BellSouth, Centel, Cincinnati Bell, Citizens Utilities, Freeman Engineering, GTE, Hughes Network Systems, Illinois Commerce Comm'n, National Rural Telephone Association, National Telephone Cooperative Association, New York Department of Public Services, NYNEX, Pacific Telesis, Small Rural Virginia Telcos, Southern New England Telephone, Southwestern Bell, Telocator, United States Small Business Association, United States Telephone Association and U.S. West.

from allowing these companies to hold PCS licenses." Id., at ix. The report in addition demonstrates that the cost characteristics of PCS would themselves make it unlikely that an LEC or cellular licensee providing PCS could dominate the PCS market. Ibid.

With only one exception -- Telmarc Telecommunications -- the parties urging that LECs or cellular providers be prohibited or severely restricted from PCS licenses offer nothing even superficially approaching the FCC staff report in objectivity or comprehensiveness. And while Telmarc appends to its comments an unpublished economic report, its assumptions are plainly flawed and its conclusions are obviously misdirected. In particular, Telmarc concludes:

As to issues of scale, we have clearly shown that if there is an Open Network Interconnect to a LEC wholesale switch that is priced on an equitable marginal basis, then there are de minimus scale economies to the wireless business.<sup>2</sup>

However, the assumption of "marginal pricing" of switching services would contravene the principles underlying the Commission's requirements and procedures for allocating local telephone company

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<sup>2</sup> Terrance P. McGarty, Telmarc Group, Inc., "Economic Structural Analysis of Wireless Communications Systems," p. 20 attached as Exhibit 1 to comments of Telmarc Telecommunications, Inc. (emphasis added).

joint and common costs. Joint and Common Costs, CC Docket No. 86-111, 2 FCC Rcd. 1298 (1987). In other words, Telmarc's conclusion that there would not be economies of scale from LEC provision of PCS is based on its use of an erroneous cost allocation principle that essentially "assumes away" any potential for such economies. In any event, while Telmarc focuses on economies of scale, the FCC staff concluded instead that economies of scope from licensing LECs and cellular providers for PCS offer much more significant benefits to the public.

The other parties urging prohibitions on LEC or cellular provider PCS licensing provide at best anecdotes and unsupported arguments to support their claims.<sup>3</sup> While a few point to isolated instances of alleged LEC abuses in cellular, no party provides any evidence of broad and systematic wrongdoing that conceivably might support abandonment of existing enforcement mechanisms in favor of a ban on LEC and cellular provider eligibility for PCS licenses, especially when this would deprive the public of demonstrable benefits. Pertinently, not one of the would-be PCS providers urging such a prohibition in any way suggests that it would be deterred from aggressively pursuing a PCS license and service opportunities if LECs and cellular providers were also fully eligible for PCS licenses. In short, there remains no basis for

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<sup>3</sup> E.g., Comments of ComCast PCS Communications, Corporate Technology Partners, Cox Enterprises, Department of Justice, Personal Communications Network Services of New York, Vanguard Cellular Systems.

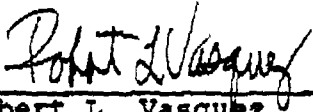
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depriving the public of the benefits of LEC and cellular provider  
eligibility for PCS licenses.

Respectfully submitted,

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